

Message Text

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ACTION EUR-12

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AF-10 EPG-02 ORM-02 /119 W

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R 111320Z MAY 77

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 568

INFO AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY OSLO

AMCONSUL GOTEBOG

USMISSION OECD PARIS

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UNCLAS SECTION 1 OF 2 STOCKHOLM 2032

E.O. 11652: N/A

TAGS: EAID, SW

SUBJECT: SWEDISH PARLIAMENT APPROVES AID APPROPRIATIONS FOR
FY 1978

REF: STOCKHOLM A-66

1. THE SWEDISH PARLIAMENT, AFTER PROTRACTED DEBATE ON MAY 4, APPROVED THE APPROPRIATIONS FOR SWEDEN'S DEVELOPMENT ASSISTANCE IN FY 1978 WITHOUT ANY CHANGE IN THE FIGURES SENT TO THE DEPARTMENT IN THE REFERENCED AIRGRAM. THE MAJOR SUBJECTS DISCUSSED DURING THE DEBATE WERE SWEDEN'S CONTRIBUTIONS TO THE IDA, THE VOLUME OF BILATERAL ASSISTANCE TO CUBA AND LIBERATION MOVEMENTS IN SOUTHERN AFRICA, AND THE QUESTION OF TIED AID.

2. CUBA. SWEDISH BILATERAL ASSISTANCE TO CUBA HAS BEEN A BONE OF CONTENTION BETWEEN SOCIALISTS AND NON-SOCIALISTS IN THE PARLIAMENT SINCE IT WAS INITIATED IN 1970. THE SITUATION
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CAME TO A HEAD LAST YEAR WHEN (WITH AN EQUAL NUMBER OF SEATS BEING HELD IN THE PARLIAMENT BY SOCIALISTS AND NON-SOCIALISTS) CUBA SENT TROOPS TO ANGOLA. THE THEN SOCIAL DEMOCRATIC GOVERNMENT HAD PROPOSED INCREASING SWEDISH AID TO CUBA IN FY 1977 TO SKR 70 MILLION (ABOUT \$16 MILLION), WHILE THE NON-SOCIALIST OPPOSITION CALLED FOR A REDUCTION. THE VOTES FELL EVEN, LOTS WERE

DRAWN, AND THE SOCIAL DEMOCRATS WERE DEFEATED ON THIS POINT. THE FY 1977 APPROPRIATION TO CUBA WAS REDUCED TO SKR 40 MILLION AND A DECISION WAS TAKEN TO PHASE OUT ALL SWEDISH DEVELOPMENT ASSISTANCE TO THAT COUNTRY OVER A PERIOD OF YEARS AT THE SAME TIME AS BROADER CULTURAL AND TRADE EXCHANGES ARE ESTABLISHED.

3. IN THE DEVELOPMENT ASSISTANCE BILL SUBMITTED IN JANUARY OF THIS YEAR, THE NEW NON-SOCIALIST GOVERNMENT PROPOSED AN APPROPRIATION TO CUBA IN FY 1978 OF SKR 35 MILLION, WHICH HAS NOW BEEN APPROVED, AND A FURTHER FIVE MILLION HAS BEEN SET ASIDE FOR THE PROJECTED EXPANSION OF COLLABORATION BETWEEN THE TWO COUNTRIES. THE ENTIRE QUESTION WILL BE NEGOTIATED WITH CUBA DURING THE COURSE OF 1977.

4. DURING THE DEBATE ON MAY 4, MODERATE PARTY MP ALLAN HERNELIUS, WHO IS CHAIRMAN OF THE STANDING COMMITTEE ON FOREIGN AFFAIRS, DID NOT GO SO FAR AS TO DEMAND A TOTAL AND IMMEDIATE STOP TO ALL SWEDISH AID TO CUBA AS DID HIS PARTY COLLEAGUE, ANDERS BJORCK, BUT EMPHASIZED CUBA'S TIES TO THE EAST BLOC, PAINTED A BRIGHT PICTURE OF CUBA'S ECONOMY, AND SAID THAT SWEDEN'S DEVELOPMENT ASSISTANCE PROGRAMS IN GENERAL LEANED STRONGLY IN FAVOR OF MARXIST-LENINIST COUNTRIES.

5. THIS, NATURALLY, STIMULATED REBUTTALS FROM THE SOCIAL DEMOCRATS AND THE COMMUNISTS. ANNA-LISA LEWEN ELIASSON (SOCIAL DEMOCRAT) THOUGHT HERNELIUS' STATE-
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MENT SIGNIFIED A CHANGE IN ATTITUDE TO RECIPIENTS SUCH AS MOZAMBIQUE, ANGOLA, AND TANZANIA. HERNELIUS THEREUPON CLARIFIED HIS REMARKS BY STRESSING THAT WHAT HE CONSIDERED IMBALANCE IN FAVOR OF MARXIST-LENINIST RECIPIENTS OF SWEDISH AID SHOULD BE ADJUSTED BY GIVING MORE TO OTHER QUARTERS. LEWEN-ELIASSON DENIED THAT THERE WAS SUCH IMBALANCE.

6. IDA AND LIBERATION MOVEMENTS IN SOUTHERN AFRICA. THESE SUBJECTS WERE LINKED INsofar AS THE SOCIAL DEMOCRATS HAD CALLED FOR A REDUCTION IN SWEDEN'S CONTRIBUTION TO THE IDA OF ABOUT \$25 MILLION AND A CORRESPONDING INCREASE IN DIRECT AID TO REFUGEES AND LIBERATION MOVEMENTS IN SOUTHERN AFRICA AND TO SEVERAL INDIVIDUAL COUNTRIES. THE COMMUNIST PARTY HAS BEEN DEMANDING COMPLETE WITHDRAWAL OF SWEDEN FROM THE IDA FOR A NUMBER OF YEARS. THESE MOTIONS WERE REJECTED BY THE PARLIAMENT AND THE AMOUNTS APPROVED WERE EXACTLY AS REQUESTED BY THE GOVERNMENT.

7. THE FOREIGN AFFAIRS COMMITTEE MADE THE FOLLOWING STATEMENT: "AID TO REFUGEES AND LIBERATION MOVEMENTS IN SOUTHERN AFRICA DURING THE CURRENT FISCAL YEAR TOTALS SKR 30 MILLION, WHICH IS DISTRIBUTED ACCORDING TO THE RECOMMENDATIONS OF THE COMMITTEE FOR STUDY ASSISTANCE AND HUMANITARIAN AID TO AFRICAN REFUGEES AND NATIONAL LIBERATION MOVEMENTS. AMONG OTHER THINGS, THIS AID RELATES TO ASSISTANCE TO THE NAMIBIAN LIBERATION MOVEMENT SWAPO AND THE SOUTH AFRICAN LIBERATION MOVEMENT ANC. IT HAS NOT BEEN POSSIBLE TO DISBURSE VERY MUCH ASSISTANCE TO THE LIBERATION MOVEMENTS IN ZIMBABWE DURING THE CURRENT FISCAL YEAR. SWEDEN MAINTAINS CLOSE CONTACT WITH THESE MOVEMENTS AND WITH THE OAU AND GOVERNMENTS IN BORDERING COUNTRIES, AND IS PROPOSED TO REINITIATE INCREASED ASSISTANCE AS SOON AS IT BECOME PRACTICABLE, THE BILL STATES. THE BILL SETS

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A PRELIMINARY FINANCIAL FRAMEWORK OF SKR 35 MILLION FOR LIBERATION MOVEMENTS AND REFUGEES. IT IS STRESSED THAT MONEY FROM THE DISASTER RESERVE CAN BE UTILIZED FOR THESE PURPOSES SHOULD THE NEED ARISE."

8. A SEPARATE BILL PROPOSING AN INCREASE IN SWEDEN'S CONTRIBUTION TO THE IDA FROM SKR 252.1 TO 413 MILLION IN FY 1978 IS NOW BEFORE PARLIAMENT AND WILL BE DISCUSSED AND VOTED ON SHORTLY. YET ANOTHER BILL PROPOSING SWEDISH MEMBERSHIP IN THE INTER-AMERICAN DEVELOPMENT BANK (IDB) WILL ALSO BE DEBATED SHORTLY. (SEE STOCKHOLM 1094. INTER ALIA.)

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9. TIED AID. IN THE PAST, SWEDEN HAS OPPOSED THE IDEA OF TYING DEVELOPMENT ASSISTANCE TO THE GOODS AND SERVICES OF DONOR COUNTRIES. IN THE 1973 BUDGET, THE THEN SOCIAL DEMOCRATIC GOVERNMENT SET A SKR 200 MILLION LEVEL FOR DIRECT COMMODITY AID FROM SWEDEN IN FY 1973, AND THE TREND HAS CONTINUED: TO SKR 500 MILLION IN THE CURRENT FISCAL YEAR AND SKR 600 MILLION (ABOUT \$140 MILLION) IN FY 1978. THESE FRAMEWORKS INCLUDE COMMODITIES THAT MAY BE DISTRIBUTED UNDER THE DISASTER FUND AND CONTRIBUTIONS TO INTERNATIONAL FOOD PROGRAMS, BUT THEY DO NOT NECESSARILY REFLECT HOW MUCH MONEY ACTUALLY RETURNS TO THE COUNTRY. IN 1972, AN ESTIMATED 40 PERCENT OF SWEDISH AID DISBURSEMENTS WAS USED TO PURCHASE GOODS AND SERVICES IN SWEDEN, AND DURING THE MAY 4 DEBATE LIBERAL PARTY MP DAVID WIRMARK SAID THAT SOMETHING LIKE A BILLION KRONOR IS RETURNING ANNUALLY TO SWEDEN IN THIS WAY, WHICH IS APPROACHING HALF OF THE COUNTRY'S BILATERAL AID DISBURSEMENTS.
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10. THE GENERAL STAND AMONG THE SWEDISH PARLIAMENTARY PARTIES RANGES FROM NO TIED AID AT ALL (COMMUNISTS), THROUGH THE PRESENT PARTIAL LEVEL OF TIED AID (SOCIAL DEMOCRATS), TO A LARGER PROPORTION THAN THAT SET OFFICIALLY AT THE MOMENT (MODERATE PARTY). THE LIBERALS, WITH AID MINISTER OLA ULLSTEN AS SPOKESMAN, WOULD LIKE TO SEE LESS SWEDISH AID IN TIED FORM BUT GO ALONG WITH THE CURRENT PRACTICE FOLLOWED BY OTHER COUNTRIES. ULLSTEN'S DEPUTY MINISTER, HANS BLIX, TOLD A DIPLOMATIC ASSEMBLAGE ON MAY 4 THAT "SO LONG AS OTHERS TIE THEIR ASSISTANCE SO MUST SWEDEN."

11. A RECENTLY PUBLISHED STUDY ON SWEDISH DEVELOPMENT ASSISTANCE POLICY ("KORPAS REPORT") DISCUSSES THE ENTIRE QUESTION IN DETAIL. (STURE KORPAS, A MEMBER OF THE RIKSDAG, HEADED THE STUDY GROUP.) AN ENGLISH SUMMARY OF THE RECOMMENDATIONS OF THIS COMMITTEE REPORT IS

BEING PREPARED AND WILL BE FORWARDED TO THE DEPARTMENT SOON. AID MINISTER ULLSTEN HAS ALSO APPOINTED A GROUP UNDER SWEDEN'S AMBASSADOR TO PERU, GORAN ENGBLOM, TO SUBMIT A REPORT ON INDUSTRIAL COLLABORATION WITH THE LDCS BY THIS FALL. AMBASSADOR ENGBLOM WAS FORMERLY EXECUTIVE DIRECTOR OF THE SWEDISH EXPORT COUNCIL. THE FINDINGS OF BOTH THESE REPORTS WILL BE INCORPORATED IN A BILL ON SWEDISH AID POLICY WHICH WILL BE SUBMITTED TO PARLIAMENT SOME TIME IN 1978.

12. AN ENGLISH TRANSLATION OF MINISTER ULLSTEN'S MAIN ADDRESS DURING THE DEBATE IN THE PARLIAMENT ON MAY 4 IS BEING POUCHED. AMONG OTHER MORE GENERAL MATTERS, ULLSTEN DISCUSSES THE QUESTIONS OF THE IDA AND THE SITUATION IN SOUTHERN AFRICA (PP. 11-13).

13. COMMENT: THE MOST IMPORTANT POINT TO EMPHASIZE IS THAT SWEDEN HAS AGAIN RAISED ITS FOREIGN ASSISTANCE.
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IT IS ABOUT ONE PERCENT OF GDP. ULLSTEN HAS ALSO SAID THIS PERCENTAGE WILL NOT BE A CEILING BUT ANOTHER STEP UPWARD. AND THIS DESPITE SWEDEN'S CURRENT ECONOMIC DIFFICULTIES, WHICH INCLUDE A HEAVY CURRENT ACCOUNT DEFICIT. GRUMBLINGS FROM CONSERVATIVES HAVE BEEN HEARD THAT SWEDEN MUST BORROW ON THE EUROCURRENCY MARKET TO GIVE AWAY LARGE SUMS TO FARAWAY NATIONS, BUT THESE VOICES ARE FEW. SWEDEN'S CONSENSUS TO SUPPORT AN ODA LEVEL OF NEARLY \$100 PER CAPITAL REFLECTS NOT ONLY NATIONAL CONSCIENCE BUT THE EXTRAORDINARY RAPPORT BETWEEN THE GOVERNMENT AND THE RIKSDAG ON THIS SUBJECT.

14. THE HANDLING OF THE KORPAS COMMITTEE STUDY AND THE ENGBLOM PROPOSAL ALSO REFLECT TIME-HONORED GOVERNMENT TACTICS. BOTH WILL BE WIDELY DISCUSSED FOR MONTHS BEFORE NEXT YEAR'S BUDGET AND RELATED DEBATES TAKE THEM UP FOR FINAL ACTION.

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